

Strategy Research Project

Leveraging EU Soft Power to Shape the Rise of China

by

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United States Army War College
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Abstract

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To explore potential forums, international institutions, and established bi-lateral/multi-lateral institutions in which the United States can coordinate and collaborate with our European partners in the form of the European Union (EU) to influence China's behavior in the future to conform to international norms and avoid future conflict. The EU is China's largest trading partner; its members hold influential seats in multiple international organizations to include the UN Security Council as well as participate in ASEAN. Such leverage can be utilized by the U.S. to engage European soft power in order to assist in shaping China's ascent as an up and coming world power. The intent is not to retard China's rise, but to show China the benefits and responsibilities of being a rising world power far outweigh its current practice of realpolitik. The combination of EU and U.S. influence can curb Chinese ambitions and promote world stability while allowing China to pursue economic prosperity. Voltaire once said with great power come great responsibility; shaping China's rise now as a responsible member of the international community and a regional source of stability will be a benefit to all.

Leveraging EU Soft Power to Shape the Rise of China

The rise of a strong, prosperous China can be a source of strength for the community of nations.

--President Barack Obama

In the community of nations, we must recognize there is change in the air. To say the world is undergoing a paradigm shift would be a gross understatement. The unipolar world led by the United States is straining under the weight of the current economic crisis, the rise of potential peer competitors, and the hesitancy of the American people to get involved in any more foreign adventures requiring the costly expenditure of blood and treasure. Our window as the “indispensable nation” is closing, albeit slowly. Gradually other nations are realizing there are other developing options to American hegemony and the world order America and the allies built after World War II. The strategy of primacy the United States has followed since the end of the Cold War may no longer be sustainable.

According to Harvard Professor Stephen Walt, America’s peak occurred after the end of the Cold War upon successfully defeating its ideological rival, “...while enjoying a half century of economic growth that was nearly unmatched in history.”¹ As the only remaining superpower, America was, and is still unmatched on the global stage and was able to shape the former Warsaw Pact nations in its image – democratic and capitalistic. NATO expanded both its mandate and membership under U.S. leadership conducting “out of area” operations in Afghanistan and recently Libya. However, fiscal constraints, and the idea that power comes in many forms will require the U.S. and its allies to adjust to a new global reality.

Current Environment

Since 2008, the economic crisis has drained \$9 trillion in household wealth and put some 24 million Americans out of work.² This reality is causing reverberations that hamper our ability to continue the strategy of primacy the United States currently employs in the international arena. Although the Department of Defense (DoD) has enjoyed robust funding since 9/11, the current economic state will require the department to make hard choices and a reduction in overall force levels as the war in Afghanistan winds down. As quoted in a recent CATO report, “America’s ongoing fiscal and economic problems compel us to adopt a more thoughtful and disciplined approach to meeting our security needs. Today, more so than ever, our defense investments must clearly correspond to current and emerging challenges.”³ This will necessitate a recalculation on how we continue to shape the international environment and manage the rise of other nations.

This economic crisis has not been isolated; our allies around the world are also feeling its effects. Defense budgets are shrinking, especially in Europe and the long-term outlook is unknown.

In almost all European states, as in the United States, the defense budget is being used as a convenient quarry for saving money, exactly because the adverse effects of cutting defense are quite abstract and therefore also hidden. As a consequence, many European states are on the verge of losing even basic defense capabilities, despite painful reform efforts to make their militaries more efficient.⁴

The amount and depth of budget cuts vary by nation, but when many are starting from very low levels to begin with (as a percent of GDP when compared to the U.S.), the need for a more robust collective security strategy in order for Europe to be a relevant

player in the future is imperative. This is especially necessary as the dynamics of international relations and the world order evolves.

In this context, the United States and Europe need each other now more than ever. The peace dividend we expected after the fall of the Berlin Wall never materialized. The monolithic threat in the form of the Soviet Union was replaced by a multifaceted, asymmetrical collection of rouge states and non-state actors who take advantage of power vacuums, extreme ideology, and operate outside the bounds of international norms and customs. To face this collection of threats within the international system, the United States needs to increase collaboration and collective action with longtime allies in Europe, especially when it concerns managing the rise of potential competitors.

It is generally agreed that the next wave of emerging powers will include Brazil, Indonesia, Turkey, India, and China with the latter forecasted by the Organization for Economic Cooperation and Development to surpass the combined economies of the Eurozone countries by the end of this year; overtaking the U.S. by the end of 2016.⁵ An optimistic estimate, but nevertheless one that many economists believe will happen eventually. This evolution of nations will soon have ability to challenge existing international arrangements and institutions. This is especially apparent in the case of China. China is the only nation of those named above to have the potential of being a peer competitor of the United States. As such, China's ascent to world power status must be carefully handled within existing international institutions and norms to communicate clearly to Beijing the benefits of being an accountable and responsible member of the community of nations.

China's Rise

Although one may argue whether or not the world is shifting from unipolar to multipolar centers of power, what cannot be debated is China's rise and increasing influence on the world stage. The November 2008 U.S. National Intelligence Council report, *Global Trends 2025: A Transformed World*, clearly indicates the U.S., although probably still world's most influential nation, will not be in the same position as we find it today. "By 2025 a single international community composed of nation-states will no longer exist. Power will be more dispersed with the newer players bringing new rules of the game while risks will increase that the traditional Western alliances will weaken. Rather than emulating Western models of political and economic development, more countries may be attracted to China's alternative development model."⁶

According to the CIA fact book, China is the world's most populous country at over 1.3 billion people; 91% of the population being Han Chinese with a 92% literacy rate and 47% of the population living in urban centers.⁷ This reserve of human capital is further boosted by 157,000 Chinese studying in U.S. universities; an increase of 43% from 2010.⁸ Although impressive numbers, the future will tell how China's one-child policy affects the population as this generation's workers ease into retirement and the younger, less numerous generation takes their place. This dynamic may also place a strain on the generation after, whose preponderance of males to females (a ratio of 1.18 to 1) will no doubt have a negative effect upon China's demographics.

The Chinese economy has enjoyed many years double digit growth since 1978 when economic reforms were first implemented.

Strong economic development continues to be seen as the core objective for the PRC leadership for a host of reasons — not the least of which are to raise the living standards of its enormous population, to dampen social

disaffection about economic and other inequities, and to sustain regime legitimacy after the erosion of Communist ideology as an acceptable organizing principle.⁹

This phenomenon greatly benefited a rising middle class of some 200 million Chinese. As China rises from a developing country to one classified as “middle income” and its export and manufacturing-based economy cools in the face of the current global economic crisis, there is no doubt growth will slow and remain in the single digits as evidenced by this year’s projected sub-8% growth rate projection.¹⁰ That being the case, when compared to today’s anemic growth rates in the U.S. and Europe, China’s economy is not suffering in the least and seems to be thriving despite the world economic turn down. With a skilled population and rising middle class, China’s communist regime is the only factor that can hold the nation back from surpassing the GDPs of the U.S. and the European Union in the next few decades.

Naturally China’s military has also benefited as the nation’s economy prospered. China maintains a professional military with some three million of its citizens in uniform and has been increasingly upgrading its capabilities in recent years. China’s current defense budget of \$106 billion represents but a fraction of the U.S. defense budget, but reflects an increase of over 11% when compared to the previous year. These increases include force projection capabilities in naval and air forces in the form of an operational aircraft carrier and advanced fighter development. According to China’s 2008 National Defense White Paper, “China pursues a national defense policy which is purely defensive in nature. China places the protection of national sovereignty, security, territorial integrity, safeguarding of the interests of national development, and the interests of the Chinese people above all else.”¹¹ However, in that same white paper, China also states it strives to build a strategic power projection capability able to

conduct operations far from its shores, “To meet the requirements of informationized warfare, the Air Force is working to accelerate its transition from territorial air defense to both offensive and defensive operations, and increase its capabilities for carrying out reconnaissance and early warning, air strikes, air and missile defense, and strategic projection, in an effort to build itself into a modernized strategic air force.”¹² China’s power projection capability can be construed as efforts to back its claims to Taiwan and the South China Sea with credible military force.

As a trading nation and keenly aware of its rising power and influence, China attempted to allay the fears of the west by publically proclaiming a policy of “peaceful rise.” Within this framework China has rejected the notion of a unipolar world led by the U.S. and is actively pushing for a multi-polar arrangement in which regional powers predominate. China’s current foreign policy is traced back to Chinese leader Deng Xiaoping when it was adopted in 1978.

“First, he replaced Marxist dogma with economic liberalization--with an orientation toward exports. Second, he took a political system that had combined ruthless dictatorship with chaotic power contests and replaced it with an orderly process that selected engineers and other technocrats for fixed terms in office. And finally, he overturned Mao's revolutionary foreign policy with one that tacitly allied China with the United States.”¹³

Today this doctrine has developed into China’s eight-point foreign policy as articulated by Foreign Ministry spokesman Qin Gang in 2007:

1. China will not seek hegemony.
2. China will not interfere with other countries' internal affairs and will not impose its own ideology on other countries.
3. China maintains all countries should be treated equally and all affairs conducted on the basis of equal participation.

4. China believes that it cannot do unto others what they do not wish others do unto them.

5. China advocates that all countries handle their relations on the basis of the United Nations Charter and norms governing international relations.

6. China advocates peaceful negotiation and consultation so as to resolve its international disputes. China does not resort to force, or threat of force, in resolving international disputes. China maintains a reasonable national military buildup to defend its own sovereignty and territorial integrity.

7. China is firmly opposed to terrorism and the proliferation of weapons of mass destruction.

8. China respects the diversity of civilization and the whole world. China advocates different cultures make exchanges, learn from each other, and complement one another with their own strengths.¹⁴

Recent Chinese positions concerning the South China Sea and Taiwan, its involvement on the African Continent, human rights, and UN Security Council voting record, and liberal arms sales to dubious entities calls into question how sincerely it will adhere to the foreign policy expressed above. Coupled with China's continuing increase in both soft and hard power makes it imperative for the United States and its European allies to help shape China's "peaceful rise" as a responsible member of the world community adherent to international norms and respectful of its institutions.

EU Soft Power and Leverage

The notion of soft power as described by Joseph Nye is utilizing moral, benevolent actions and institutions/policies to influence the behavior of others.¹⁵ The European Union represents the largest trading block in the world with a GDP of over

\$15 trillion. Its model institutions, emphasis on human rights, peaceful resolution of conflict, culture, and international prominence as a soft power make it a rising player in international affairs. Despite Europe's difficulty in agreeing to a common foreign and defense policy, with a combined population of more than 400 million, democratic institutions, and diplomatic knowhow to match its economic capabilities, the EU represents the epitome of a soft power. The community of nations and more specifically the United States must utilize this underappreciated capability to help shape the rise of China as a responsible member of the international community.

The EU has recognized the importance of China and codified its interests in a series of strategic dialogues starting in 1995. China's desires for a multi-polar world shape its preference of seeing the EU along with itself has alternatives to U.S. hegemony. According to a Globe Scan survey conducted in December 2004, when responding to the question of if the potential of the EU to eventually be more powerful than the U.S. can be viewed as positive or negative, 66% of Chinese believed it to be a positive.¹⁶ Common views between the EU and China include shared interests in free trade, cooperation, and multi-polarity in international relations. With the EU being China's largest trading partner, the U.S. joining with the EU to temper Beijing's expectations during its "peaceful rise" would send a powerful message.

As a diplomatic power, the EU is a fledgling institution with the recent establishment of the EU diplomatic corps in 2010. The United States should recognize and consider the combined voting power of the EU in international forums such as the WTO and the UN. With two out of five permanent members of the Security Council, the EU is not to be taken lightly on the international stage. Often, the EU will vote as an

entire block in these forums, rendering them an important diplomatic player on such issues as human rights, trade disputes, Syria, Iran, and North Korea. The EU's capability as a voting block to influence international affairs is significant and should not be taken lightly as a way to further common interests between the U.S. and EU.

U.S. Views Towards China

U.S. policy toward China can be described as hopeful but hedging. Hopeful China will rise to be a responsible member of the international community while hedging against any expansionist tendencies to include forceful reunification with Taiwan, the employment of force to resolve South China Sea disputes, or any other actions that deny free trade, peaceful resolution of disputes, and access to regional resources. "The guiding American interest with regard to China is not to stop, but to influence the rise of China in such a way that would be conducive to U.S. interests."¹⁷

America's rebalancing toward the Pacific region after a decade of conflict can be viewed in the light of a new global reality. The Pacific region contains some of the world's fastest growing economies as well as largest militaries and population centers. As stated by former Secretary of Defense Leon Panetta in June 2012,

Our approach to achieving the long-term goal in the Asia-Pacific is to stay firmly committed to a basic set of shared principles – principles that promote international rules and order to advance peace and security in the region, deepening and broadening our bilateral and multilateral partnerships, enhancing and adapting the U.S. military's enduring presence in this region, and to make new investments in the capabilities needed to project power and operate in Asia-Pacific.¹⁸

America's attention shift is natural some 20+ years after the end of the Cold War; China as well as a rising India and long time allies Japan and South Korea require a reinvestment in America's interests in this part of the world.

China and the U.S. represent the world's largest national economies and most important trading partners. The trade deficit between the U.S. and China is also the largest in the world and steadily growing. Together, the U.S. and China represent the #1 and #2 largest consumers of energy. China is also the largest foreign holder of U.S. public debt. This reality makes economic competition with China in searching for and securing natural resources inevitable. Because both remain maritime nations, another potential friction point is shipping lanes, especially those originating from the Middle East running through the Straits of Malacca, where more than half of the world's merchant tonnage passes every year. As the U.S. and Chinese economies become more inexplicitly linked, any actions taken involving the elements of national power on either side are of immense interest to the other.

Diplomatically the issues between the US and China are both diverse and divisive. Although the United States welcomes a rising China that is responsible and a contributor to global stability, China's human rights record, trade practices, and stance on Syria, Taiwan, and Iran are causes of concern. China's new nationalism and desire to forge its own path is evident in its disregard of international pressure to take actions they consider as infringement upon Chinese sovereignty. This stance is manifested in the bilateral vice multilateral approach China has taken negotiating over disputed territories in the South China Sea. China has also been very public in expressing its desire for a multi-polar world rather than a world dominated by the United States that exists today.

Argument for Increased U.S. – EU Cooperation Toward China

Against this backdrop, the need for nations to support the current international system and institutions developed after World War II to promote peace and regional

stability should catalyze the desire for China to be included. Although multi-polarity in the future is a distinct possibility, human rights, unfair trade practices, and a plethora of other international issues call for coordination between the U.S. and those like-minded nations to steer China toward utilizing existing international institutions to peacefully resolve differences, contribute to regional stability, and embrace basic human rights. In this light, the EU is a natural partner, “the US faces the opportunity to make use of the EU’s soft power approach as a reference for a new policy towards China.”¹⁹ Leveraging the EU’s soft power to demonstrate to China the benefits of adhering to international norms and universal values to become a responsible member of the world community is in every nation’s interest.

The US and EU nations have a common history long before the EU’s creation in 1993 and held annual summits since that time to both foster closer relations and work out the few areas of disagreement existing between the two. The US has welcomed a united Europe capable of contributing to both regional stability, human rights, and spreading good governance. “Both share concern about the impact of new economic powers, democracy and market reforms, the threat of international terrorism, proliferation of weapons of mass destruction, instability in the Middle East, competition for energy resources, and the desire for strong international institutions promoting shared Atlantic values.”²⁰ These shared interests coupled with unmatched hard and soft power make the US and the EU ideally suited to take joint action and positively influence the peaceful rise of other regional and aspiring global powers.

Regarding a rising China, both the EU and U.S. share a common stance on multiple issues. These include concern about China’s part in the proliferation of

weapons technology, especially in the cases of North Korea and Iran, jointly enjoining an arms embargo in response to Chinese human rights violations, and protests against China's unfair economic practices. These common policy declarations of the United States and EU toward China must be done in concert to increase their impact; not for the purpose of containing or delaying China's rise, but to persuade China to accept international norms and what it means to be a responsible member of the world community.

EU – China Relations

Relations between the EU as a political entity and China date back to 1998 with the publishing of an EU Strategy Paper, "Building a Comprehensive Partnership with China."²¹ This declaration was followed by an EU-China summit during the Asia-Europe meeting held in London, the results of which called for long-term cooperation in the areas of human rights, economic prosperity, rule of law, and regional stability. This dialogue formed the backdrop for further annual summits that tackled problems, such as human trafficking and illegal immigration. However, the waters were soon "poisoned" by the EU's continued support of Taiwan and Tibet the following year and the sustainment of an arms embargo in place against China since 1989. NATO's 1999 campaign in Kosovo was also opposed by China in the UN, who thought the matter to be an internal affair of Serbia. Those EU nations that participated were subject to mass government organized demonstrations in Beijing after the accidental bombing of the Chinese Embassy.

On the other hand, China welcomed the EU's attempts to establish its own security apparatus in the form of the European Security and Defense Policy (now called Common Security and Defense Policy (CSDP) of the European Union) apart from

NATO, seeing this initiative as consistent with its desire for a multi-polar world order. However, the EU's difficulty in developing a common foreign policy and coherent strategy concerning the employment of military forces allocated to CSDP make the Chinese weary of placing any credence in the EU's ability to influence the international system with "hard power". China views Europe as economically important, but still politically and militarily weak and as an international actor that lacks a strong long-term vision.²² This dynamic has limited EU interaction with China to the "soft power" realm of trade, cultural interaction, and cooperation within the existing international system.

Current EU Policy Toward China

Today the EU and China are each other's largest trading partners with over \$567 billion dollars in goods and services exchanged in 2011. Despite the impressive numbers, the EU is not wholly satisfied with this economic relationship. China maintains a trade surplus of over \$111 billion while the EU suffers a "lockout" of many of its service providers from accessing China's markets. This is especially prevalent in the areas of banking, energy, and other industries China considers "sensitive" to its national security.

The EU's current policy toward China has not changed substantially since 2006 and rests upon three pillars – trade, global cooperation, and cultural exchange. Despite annual summits, and the tremendous amount of commerce between China and the EU, many outstanding issues dominate the current relationship – unfair trade practices; Chinese involvement in Africa; human rights; and the current situations in Tibet, Taiwan, Iran, and Syria. Issues that hamper both sides' announced desires for closer cooperation and a "partnership" built on more than just commerce.

As previously mentioned, the EU's trade deficit with China is a growing concern. The closure of many sectors of China's economy to foreign investment while continuing to dump cheap products on the European market has resulted in multiple EU claims against China pending at the World Trade Organization (WTO). Based upon China's aggressive trade practices, the EU has not granted China market economy status, which it has been seeking since trade relations between the two were formalized with the 1985 EU-China trade and cooperation agreement.

Also involved in the EU's decision is China's fixed currency, the Yuan, which is kept artificially low to make Chinese goods attractive to foreign markets, and the government subsidies provided to Chinese corporations. The fixed currency has the undesirable effect of making imports to China more expensive, thereby boosting consumption of Chinese domestic goods and putting foreign producers at a disadvantage. Chinese subsidizes those industries that it desires to gain a national advantage. Currently these include the solar and banking industries along with traditional energy sectors such as oil and gas. These subsidies create barriers to entry for foreign firms that wish to compete in China and must be arbitrated in the WTO.

Another area of concern for the EU is China's involvement in Africa. Although the EU is Africa's largest source of foreign aid, China has been making inroads since the 1950s as a member of the non-aligned nations during the bipolar days of the Cold War. Today, Chinese investment is evident in almost every nation on the African continent. Preferring to exchange infrastructure rather than currency for access to raw materials, China has been steadily gaining influence to the detriment of the western powers. "The EU, as the world's largest development aid provider, has been feeling the heat of

Beijing's closer ties to Africa, caused in part by the ineffectiveness of the EU's overall policymaking towards Africa that is strongly focused on political conditionality."²³ The combination of Chinese companies willing to take low margins and their propensity to invest without strings attached has made Chinese investment attractive to African nations looking to jump start their economies. This has allowed China to secure access to the raw materials it needs to keep its own economy running.

According to expressed policies, EU members are required to promote human rights, democracy, and the rule of law when dealing with all foreign countries. Ever since Tiananmen Square in 1989, the EU has expressed annually its displeasure with China's human rights record in the UN with the latest episode occurring on 6 November 2012. The EU representative to the UN, Thomas Mayr-Harting, took the opportunity to chastise China on its treatment of the Tibetan people, the Uighurs, and for failure to ratify the International Covenant on Civil and Political Rights, which China signed in 1998. Notwithstanding, China and the EU have held a bilateral human rights dialogue twice a year since 1995. This has not produced the type of progress the EU has hoped for, but has at least kept the door open to further discussions.

Two other issues frustrating the EU as well as the United States are the Chinese stances concerning Syria and Iran. On 12 December 2012, Russia had softened its stance on Syria with a statement by its Deputy Foreign Minister, Mikhail Bogdanov, stating that Assad might lose the war and that, "an opposition victory can't be excluded."²⁴ This was curiously not followed by a similar statement from Beijing. Unlike Russia, China possesses no military bases in Syria nor do they have extensive commercial interests. China's continuous efforts to block UN action on Syria, including

Security Council resolutions proposed by EU nations can be interpreted as a demonstration of China's growing power and stated policy of noninterference in the internal affairs of other nations. Syria's actions against its own people are not unlike what China has done in the past, even if it occurred on a much smaller scale. This hard line stance may hurt China, especially in the Middle East where many leaders would not be sorry to Assad fall from power.

China's position on Iran is more understandable. Unlike Syria, China is Iran's largest trading partner and Chinese companies have filled the void created by the West since sanctions were imposed. China imports about 500,000 barrels of Iranian crude oil per day and has a history of non-participation concerning sanctions. China's stance is problematic, not just for the U.S. and EU, but for China itself. Although Iran supplies about 19-20% of China's imported oil, those supporting sanctions, including Saudi Arabia, the U.S., and the EU, make up the majority of China's trading partners and are key to their economic vitality.

Chinese Views and Policy Toward the EU

China views the EU as a major "soft power" player in the international community and economically important to China's well-being. Both share interest in trade, cooperation, and the promotion of multi-polarity in international relations. The EU's recent outreach toward China for assistance through the sale of European Bonds is representative of how far China-EU relations have come. "China is accelerating an investment spree in Greece and other hard-hit European nations, laying the ground work for a major expansion on the Continent in the coming decade."²⁵

Against this backdrop, China's current policy toward the EU is officially articulated as follows:

- To promote a sound and steady development of China-EU political relations under the principles of mutual respect, mutual trust and seeking common ground while reserving differences, and contribute to world peace and stability;
- To deepen China-EU economic cooperation and trade under the principles of mutual benefit, reciprocity and consultation on an equal basis, and promote common development;
- To expand China-EU cultural and people-to-people exchanges under the principle of mutual emulation, common prosperity and promote cultural harmony and progress between the East and West.²⁶

As described above, China's policy toward the EU is mostly economic. China desires unlimited access to EU markets, foreign investment, and high-tech products. China sees Europe as an alternative to U.S. hegemony and part of the future multi-polar world. As such, China also desires the EU to break from the U.S. and end the arms embargo, grant China MES status, lower the volume on human rights rhetoric, and improve China's floundering image among Europeans. China views these issues as holding them back from progressing further both economically and politically.

EU Soft Power: Leverage to Shape a Rising China

The EU as a "soft power" international player can be summarized in three of the four areas of national power traditionally defined by DIME: diplomatic, information, and economic. Despite collectively having spent over \$152 billion on defense in 2010 and having 1.6 million active duty military personnel, the EU currently lacks an effective collective defense agreement outside the 21 member states who are also members of the NATO alliance. This military "hard power," second only to the U.S. in terms of defense dollars and second to China in terms of active duty personnel, is difficult to deploy collectively and effectively outside of NATO/UN mandated missions. Also hindering an EU collective security framework are the declared neutrality policies of EU

members Austria and Ireland. Austria declared a permanent policy of neutrality with the Moscow Memorandum of 1955 while the Irish see their neutrality as symbolic of their independence, first gained from Great Britain in 1938 and codified in the Anglo-Irish Defense Agreement.²⁷ Thus, while the “hard power” of individual EU nations, specifically Great Britain, France, and Germany must be respected, EU “hard power” in the collective is not a serious factor when viewed from the perspective of Chinese realpolitik.

As mentioned previously, the EU is China's largest trading partner. China is also the EU's largest source of imports, and is the EU's fastest growing export market. “Two-way trade in goods continues to increase despite the current economic crisis; as of September 2012, China and Europe still trade well over €1 billion a day.”²⁸ This EU “soft power” must be leveraged and coordinated with the United States to bring China in line with international norms. The specific areas of economic leverage that need to be addressed are EU to China high-tech exports, trade deficit, foreign investment, developmental aid, and tariffs.

The EU is China's largest source of high-tech products but restricts the export of military and dual-use technology. This ban has been in effect since 1989 because of China's crackdown in against student protesters in Tiananmen Square. China needs access to high-tech western products to fuel its move into higher value-added manufacturing. EU nations view this as China increasing its commercial capabilities on the backs of their corporations due to inadequate protection of intellectual property rights. Chinese leadership realizes it needs western technology to reverse engineer and produce cheaper versions of western goods to stay competitive and grow their

economy. If a high-tech western company wants to do business with Beijing it often must share the technology that comes with the product. This dynamic makes coordinated U.S. commercial policy with the EU a potential lever in shaping China's actions.

The EU is the world's largest provider of official developmental assistance funding and accounts for 30% of all developmental aid flowing to Asia. In 2010 some \$1.5 billion in ODA was sent to China to promote sustainable human development and good governance.²⁹ This aid was distributed by the EU directly to Chinese coffers. Although the EU's contribution to China dwarfs the \$59 million sent by the U.S. during the same time, in combining the two amounts and matching performance (human rights and good governance benchmarks) with funding, the EU and U.S. send China a message to modify its behavior or risk being considered a nation that is not in compliance with international norms. Although the monetary reward for said compliance is small, the powerful message this sends China would position it clearly in the lower category of nations still striving to obtain acceptable levels of domestic governance.

Being a trading nation and driving its economic growth on exports vice domestic consumption, China is striving for Market Economy Status (MES) that recognizes efforts by a nation to open its economy according to World Trade Organization (WTO) standards. A real market economy means the costs of production/output are based on the demands of the market and not subject to state assistance in the form of subsidies or price controls. Although most nations of the world have granted China MES, and as a member of the WTO MES status becomes automatic by 2016, the two largest trading blocks, the U.S. and the EU, still have not. By not granting China MES, both the U.S.

and EU are expressing their displeasure of China's unfair trade practices, protectionist economic policies, and product dumping.

Since 1979, the EU has taken more than 160 anti-dumping cases against China to the WTO, far more than any other entity. Currently there are six EU cases against unfair Chinese trade practices pending: China's limit on the exportation of rare earth minerals; anti-dumping duties on EU x-ray security inspection equipment; Chinese restraints on the export of various types of raw materials; Chinese import duties on iron and steel fasteners from the EU; Chinese regulations affecting financial services news organizations; and Chinese tariffs on imported automobile parts that are used in the manufacture of vehicles.³⁰ These cases highlight China's unfair trade practices and represent opportunities for the U.S. and EU to affect Chinese behavior. Coordinated action on such cases before they are brought to the WTO for resolution would reinforce the unacceptable nature of Chinese commercial misconduct.

As a nation projected to overtake the U.S. and EU in total GDP, the international community cannot stand-by and let China achieve economic preeminence based upon inequitable trade practices. As a potential world power, how China achieves this status matters; either in a responsible manner consistent with acceptable international norms and values, or as a rogue nation interested in only one thing, primacy at any cost. A united message led by the U.S. and EU must be sent through international forums, such as the WTO and ASEAN, to convince Chinese leaders it must play by international norms or be ostracized.

Human rights are probably the area in which the EU has been the most critical of China. According to Human Rights Watch,

China is a nation that censors the Internet, imposes sharp curbs on freedom of expression, association, and religion; openly rejects judicial independence and press freedom; and arbitrarily restricts and suppresses human rights defenders and organizations, often through extra-judicial measures. China also maintains repressive policies in ethnic minority areas such as Tibet, Xinjiang, and Inner Mongolia.³¹

The human rights violations above have caused many EU members to take a cautious path in their relations, economic or otherwise, with China. With the EU strongly voicing its support for universal human rights and having it at the top of the agenda when dealing with other nations, the China – EU relationship will not progress much further without serious reforms on China's part.

Originally in response to Tiananmen Square in 1989, the EU has kept an arms embargo in place despite economic interdependency, a human rights dialogue with China since 1995, and recent overtures to China for assistance with Europe's debt crisis. This arms embargo, in solidarity with the U.S., is also a key component and point of leverage for supporting weapons nonproliferation policies and keeping China's expansionist ambitions in check. The EU maintains the arms embargo despite individual European nations calling for cessation based upon the ongoing economic crisis (all 27 nations must agree before the embargo is lifted). Lifting the embargo would also help keep solvent key European arms industries currently dealing with shrinking EU defense budgets. Despite the obvious benefits lifting the embargo would provide, most agree sending a united message to China outweigh these drawbacks.

Another benefit of the arms embargo is it has kept China's expanding defense industry from readily obtaining the necessary weapons technology to surpass its neighbors. Although having the largest standing army, China's naval and air forces do not yet possess the necessary weapons and capabilities to project power much beyond

its own borders. Keeping advanced weapons technology out of the hands of China's producers supports key policy objectives for both the EU and U.S.; key among these being weapons non-proliferation, peaceful resolution to South China Sea territorial disputes, and Taiwan. Up to now, keeping the embargo in place has not affected EU-China trade relations and has sent a united message to Beijing that it cannot continue to defy international norms.

Another area of leverage is the EU's participation through annual summits with the Association of South East Asian Nations (ASEAN). "ASEAN as a whole represents the EU's third largest trading partner, and the EU is by far the largest foreign investor in the ASEAN nations."³² The EU began its participation last year and the forum includes the participation of China and recently the U.S. "The ASEAN agenda is set around three areas; political and security cooperation, economic cooperation, and socio-cultural cooperation for the purpose of peace, stability, and prosperity in the region."³³ Although the disputes in the South China Sea is one area that should be discussed by all interested parties in this multilateral venue, China has refused to address the issue utilizing international institutions, preferring to work bi-laterally where it has superior leverage among the smaller Southeast Asian nations.

As a "disinterested third party" to the dispute, the EU can emphasize the need to address the South China Sea issue using ASEAN as a forum, as all claimants in the dispute are ASEAN + 3 participants. This forum, originally founded for the purpose of promoting economic prosperity, peace, and stability in the region should be pressed by the EU and United States as the ideal venue to resolve disputes among members. Combined with the US-ASEAN summits, the message that resorting to 19th Century

realpolitik strong arm tactics is not a recipe for a lasting resolution must be clearly relayed to China. Modern international institutions lend legitimacy to dispute resolution based upon possession of a multilateral decision-making apparatus and consensus. China must learn to operate within the international frameworks developed in the last century or risk isolation.

The EU is the world's largest development aid provider, but has been losing ground with African leaders due to China's interest and no strings attached investment strategy on the continent. Being a legitimate alternative to Chinese involvement in Africa representing rule of law, human rights, and good governance is an EU imperative. Although up against the stigma of having been the colonial rulers of the last century, the EU has much to offer Africa in building democratic institutions and responsible governments. Although China exclusively deals in terms of economics and access to resources, the EU can promote benefits beyond economic prosperity. This is China's Achilles heel: eventually its support of oppressive governments will backfire as instability and regional conflict has the potential of cutting off the natural resources China is trying to secure. In today's environment, an Arab Spring-like uprising could spread to Sub-Saharan Africa, thereby divesting China of its gains made in nations with questionable governments.

However, not all of China's activities on the continent have been negative. China's demand for natural resources has driven Sub-Saharan Africa's growth and built much needed infrastructure. The EU and China as well as the U.S., have an interest in seeing a stable Africa free of conflict and able to reach its full potential. China must realize propping up oppressive regimes only secures short-term cooperation with little

prospects for long-term results. The recently proposed EU Commission's 2008 paper on triangular (EU, Africa, and China) dialogue and cooperation is a worthy first step toward reining in China's enthusiastic commercial undertakings with the EU's emphasis on building institutions and stability. There is no reason the United States and EU cannot reason with China to shown the advantages of dealing with stable governments who respect the rule of law and practice good governance. With China and the EU already cooperating in the Gulf of Aden securing shipping lanes against piracy, they can also responsibly coordinate development activities for both their benefit and the African people.

EU – U.S. Cooperation

Despite all our differences, the United States and the European Union have a common policy as it relates to a rising China. Both parties are interested in free trade, weapons non-proliferation, human rights, democracy, and working through existing international institutions to resolve conflict. This common platform and the common history we share make it imperative more coordination and joint action be taken in the future. The rise of peer competitors, particularly China, within both the military and economic realms is welcomed by the United States and Europe if it also brings increased prosperity and stability to that part of the world.

However, this is not inherently evident as reflected by China's claims in the South China Sea, unfair trade practices, and military build-up of anti-access/area denial/regional projection military capabilities. To hedge against these developments and influence China's rise, the United States and European Union must take coordinated action utilizing institutions such as ASEAN, the UN, and WTO to

demonstrate to China the benefits of adhering to international norms concerning trade, human rights, and peaceful conflict resolution.

Specifically, the EU and the United States must first emphasize to ASEAN the need for a comprehensive, multi-lateral solution to the South China Sea disputes. China has been conducting bi-lateral talks, where it has obvious power advantages that can be exploited to wear down the smaller South East Asian nations. ASEAN is capable of taking collective action and working on behalf of its members to resolve these disputes with the support of both the largest economic and largest military powers.

With three of the five permanent seats on the UN Security Council plus the propensity to vote collectively on General Assembly resolutions, diplomatically the EU and the United States hold considerable sway to influence nations in the international arena. Closer cooperation and the common positions of the EU and United States must be staked out on issues, such as Syria and Iran, where China continues to defy the majority of nations by vetoing associate Security Council resolutions. With a united front, China's calculus will change as reconsiders if it will risk being marginalized diplomatically when faced with multilateral action despite its protests. Eventually, the international community will take some form of action on Syria and Iran. China, in its bid to become a regional leader, risks credibility if it continues to defy international will.

Finally, international pressure, led collectively by the U.S. and EU, must bring to bear within and outside the WTO pressure for China to float its currency, drop restrictions to foreign companies competing in its markets, and illegal subsidies for its industries. China has a vested interest in the economic wellbeing of its citizens – the communist regime's survival depends on it. Positive economic development is a must if

China's communist party wishes to remain in power. A 200 million strong middle class demanding a continuous rise in the standard of living, along with international pressure from the two largest economies in the world, can be a powerful force for reform and China's adherence to international norms.

Conclusion

The EU's position as a soft power exerts significant leverage on the international stage. Beyond the clear economic powerhouse of an organization representing 520 million people and the world's largest common market, the EU also exercises moral and benevolent power having a reputation for peaceful resolution of conflicts and human rights advocacy. Combined with the overlooked fact that the combined military capabilities of the EU closely approximate those of the U.S., one can see how influential the EU can be in world affairs. EU soft power, when coupled with the hard power of the U.S., must be used to manage up and coming nations, especially China. As a rising military and world economic power, China represents both opportunity and trepidation. The U.S. and EU working together can demonstrate to China the opportunities and benefits of working within the existing international system. If China decides to continue pursuing its own path and defying international norms, that same combined power can insulate and marginalize China if necessary. This should not be a goal of the U.S. and EU, as China is an essential part of the global economy and its stability is in everyone's interest. Retarding China's growth is not the intent, but a China pursuing its own interests at the expense of others will become a source of instability, and that is not in anyone's interest.

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